

Message Text

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FM AMCONSUL SAO PAULO

TO SECSTATE WASHDC 7488

INFO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL PORTO ALEGRE

UNCLAS SAO PAULO 0353

FROM COMMERCIAL COUNSELOR

E.O.11652: N/A

TAGS: BEXP, BR, ECRP

SUBJECT: COMMERCIAL REPORTING - BEST PROSPECTS

REF: CERP 1216, STATE 015528

1. AGRICULTURAL MACHINERY.

PROSPECTS FOR SALES OF US AGRICULTURAL MACHINERY IN BRAZIL FROM NOW THROUGH 1979 DO NOT RPT NOT SEEM GOOD, BECAUSE OF (A) IMPORT RESTRICTIONS RELATED TO THE BRAZILIAN GOVERNMENT'S POLICY OF IMPORT SUBSTITUTION, (B) EXISTENCE OF A WELL-DEVELOPED LOCAL INDUSTRY, (C) REDUCTION OF GOB SUBSIDIES TO FARMERS, AND (D) POSSIBLE CUTBACKS IN GOB PGOGRAMS DESIGNED TO FOSTER ADOPTION OF NEW TECHNOLOGY (AND THUS NEW EQUIPMENT). LARGE INCREASES IN WHEAT AND SOYBEAN CROPS IN RECENT YEARS CAUSED THE DEMAND FOR FARM MACHINERY TO EXCEED SUBSTANTIALLY DOMESTIC PRODUCTION AND THUS CAUSED IMPORTS (EXCLUDING TRACTORS) TO REACH \$45 MILLION IN 1974 AND \$55 MILLION IN 1975. THE LEADING IMPORT ITEM WAS SELF-PROPELLED COMBINE HARVESTERS, IMPORTS OF WHICH TOTALLED \$33.7 MILLION IN 1974 AND \$34 MILLION IN 1975. HOWEVER, OUR PRELIMINARY
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INFORMATION IS THAT NO RPT NO LICENSES WERE ISSUED FOR IMPORTATION OF SELF-PROPELLED HARVESTERS DURING 1976 A SIMILAR -- ALTHOUGH LESS DRAMATIC -- PATTERN APPLIES TO AGRICULTURAL TRACTORS, IMPORTS OF WHICH WERE \$1.2 MILLION IN 1974, \$7.9 MILLION IN 1975, AND \$4 MILLION IN 1976. AS A RESULT OF IMPORT RESTRICTIONS AND THE FACT THAT GOVERNMENT-SUBSIDIZED

FINANCING IS AVAILABLE ONLY FOR THE PURCHASE OF DOMESTICALLY-PRODUCED EQUIPMENT, MOST MAJOR US MANUFACTURERS HAVE LAREADY ESTABLISHED SUBSIDIARIES IN BRAZIL AND ARE PRODUCING FULL PRODUCT LINES. US EXPORT OPPORTUNITIES IN THE COMING YEARS MAY BE LIMITED TO SPECIALIZED TYPES OF EQUIPMENT OR TECHNICAL INNOVATIONS.

2. FOOD PROCESSING AND FOOD PACKAGING EQUIPMENT. WE BELIEVE THERE IS STRONG PENT-UP IMPORT DEMAND FOR A WIDE RANGE OF HIGH-PRODUCTION FOOD PROCESSING AND PACKAGING MACHINERY. THE TREND TOWARD USE OF MORE PROCESSED FOODS, STRONG EXPORT INCENTIVES AVAILABLE TO PACKERS, AND THE RECENT GROWTH OF BRAZILIAN HORTICULTURE CONSTITUTE STRONG MOTIVATION FOR INCREASED INVESTMENTS IN THIS AREA. UNLIKE AGRICULTURAL MACHINERY, FOOD PROCESSING AND PACKAGING EQUIPMENT IS NOT MANUFACTURED LOCALLY IN SUFICIENT VARIETY OR QUALITY. EXPORT PROSPECTS FOR THE INDUSTRY SHOULD REMAIN GOOD THROUGH 1979

3. THIS REPORT IS BASED ON CONTRIBUTIONS FROM COMMERCIAL OFFICERS IN SAO PAULO, PORTO ALEGRE, AND RIO DE JANEIRO.

4. CERP 1216, BEST PROSPECTS, WILL BE SUBMITTED BY FEBRUARY 28.
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